

# Ebiquity Plc

## Final Results for the year ended 30 April 2011

Ebiquity Plc, the media and marketing insights business, announces final results for the year ended 30 April 2011. Ebiquity provides services to over 900 clients across 70 countries, including 85 of the world's 100 largest advertisers.

### **Strong financial performance delivering total revenue up 108% with operating profit doubling to £5.3m**

- International revenues now represents 71% of total group revenue, up from 38% last year
- Underlying operating profit of £5.3m (2010 £2.6m)
- Underlying profit before tax of £4.8m (2010: £2.5m) and reported loss before tax of £1.8m (2010: profit of £0.1m) due to integration of Xtreme executed 8 months faster than forecast
- Underlying EPS of 6.02p (2010 5.55p) and basic loss per share of 2.15p (2010: earnings 0.50p)

### **Further acquisitions build on platform for continual international growth**

- Integration of Xtreme Information Services Limited completed ahead of schedule and below budget
- Ebiquity Germany, following recent acquisitions, now represents 13% of total worldwide revenue
- US market grows at over 40% as media transparency becomes increasingly important
- Newly established Ebiquity Italy grown at almost 25% year on year
- Acquired market leading Russia media measurement and benchmarking business, Joined Up Media Company Limited

### **Business continues to evolve to capitalise on increasingly dynamic global demand**

- Ebiquity restructured into clearly defined Ebiquity branded offerings
- New data processing centre in Newcastle adding to international capabilities
- Acquisition of Echo Research Group adds "earned" and "social" media to offering

### **Michael Greenlees, CEO, commented:**

***"As the media universe continues to expand, develop and become more complex, companies need to be able to evaluate and understand their target markets and competitive landscape. Over the last year Ebiquity has made substantial progress in developing its offering to clients. Through various acquisitions internationally and in key media areas, such as earned media, Ebiquity is now the only media business that can offer clients a full spectrum of analysis and insight on a global basis."***

**27 July 2011**

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## **Chairman's Statement**

The year to 30 April 2011 has been another period of substantial progress towards achieving our objective to be the leading provider of data driven insights to the global media and marketing community. The Group now operates from 15 offices in 8 countries over 4 continents which illustrates the substantial advances that have been made.

In 2009 I commented on a commendable performance against the backdrop of a period of unprecedented uncertainty and economic difficulty. In 2010 the focus was on combining our strong financial performance with the need to achieve a better balance in both geographic reach and scale across our different activities and practices.

The benefits of the Xtreme acquisition are clear from the results that we announce today. The integration process itself has been complex and challenging and has lasted throughout the financial year. The original plan was to complete the full integration programme within twenty months - as it transpired it was achieved in less than a year and below the expected cost. For this we are extremely grateful to all those directly and indirectly involved. It was a great pleasure for the Board to attend the formal opening of our new data processing centre in Newcastle earlier this year; this state of the art operation stands as a testimony to all the hard work that takes place every day to serve our clients with the highest level of professionalism.

We have now built a firm foundation for the future of our business, but there remains much to do. The avalanche of data that our clients now face and the pace at which the modern media market is changing makes the challenges facing decision makers in the media and marketing community ever more complex. Our data, technology and analytical capabilities combine to give us a substantial competitive advantage in assisting our clients in dealing with these issues.

The Board is confident about the future for the Group. We have an exciting business and believe we have the management team, the skills and the resources to succeed on the next stage of our journey.

**Michael Higgins**  
**Chairman**  
26 July 2011

## **Chief Executive's Statement**

### **Overview**

This has been another landmark year for the Group; a year in which we have more than doubled in size as a result of the acquisition of Xtreme, and in which we began to lay the foundations for continued growth and strong performance, in both our domestic markets and internationally.

Total revenue for the year to April 2011 increased 108% to £44.2m compared to £21.2m for the previous year, with pre-highlighted operating profit at £5.3m (2010: £2.6m) representing a 12% operating margin, all of which are comfortably ahead of market expectations.

As a result of the early release of cost synergies following the Xtreme acquisition, gross margins have continued to improve, increasing to 56% for the year to April 2011 compared to 55% for the previous year. We expect the full pre-tax synergy benefits from Xtreme to amount to £2.6m on an annualised basis.

The austerity budget in May 2010 meant that our UK based businesses got off to a relatively slow start to the year. However, with the help of strong performances from both our US and German operations, we have experienced good underlying organic growth and our 900 clients represent an important foundation on which to build future growth.

Underlying diluted EPS at 6.02p (2010: 5.55p) was up 8% on the prior year and was once again comfortably ahead of market expectations.

### **Acquisition integration**

As might be expected, the year was dominated by the integration of Xtreme into our Platform division, a process that proved both complex and time consuming. That said we have succeeded beyond our best expectations – significantly ahead of schedule and below budget. For this we have to thank the dedicated operational and customer service teams in London, Newcastle, Hamburg and Baden Baden, all of whom have worked long hours and with great professionalism to ensure that our clients continue to receive the high quality of service and on-time information that is crucial to their business.

We should not forget that cost savings inevitably come at a price, and unfortunately this has meant that some long serving colleagues could not be accommodated within our future plans. I am thinking particularly of our data processing operation in Bromley, Kent, and Hamburg, Germany, both of which were closed as a result of the integration process. I want to personally thank all those who have supported our Group for so long and wish them well for their future employment. I would also like to thank everyone from Xtreme – they have shown great commitment in helping us all develop a new combined business that we can all be proud of.

Our new international data processing centre in Newcastle and our German data centre in Baden Baden are both being developed to the highest standards of excellence, with new technology and more streamlined processes. Both are beginning to show a positive impact on our business and will result not only in a higher level of customer service but also in improved margins.

### **Geographic reach**

In 2010 our focus was on combining a strong financial performance with the need to achieve better balance in both geographic reach and scale between our different activities. The acquisition of Xtreme at the end of the 2010 financial year improved the balance of our business and better positions us to exploit the relationship between our different activities.

In the year to April 2010, international revenue accounted for only 38% of total revenue, and our Platform division represented 28% of the total. For the year to April 2011 the balance is very different, with international revenue accounting for 71% of total revenue, and the Platform division now accounting for 59%. This balance better reflects the profile of our existing and target clients and enables us to serve our clients' needs by combining both platform and analytical capabilities across a much wider geographic footprint.

## **Our growing reputation**

Our core values – independence, integrity and clarity – are the three pillars on which the Group is built. These are not just the values that guide our behaviour, but are also the reasons why our clients choose us in order to help guide them in the increasingly complex world of media and marketing.

Ebiquity's quarterly insight magazine – *Response* – is now in its second year with a circulation of over 5,000 and is rapidly gaining a reputation as one of the most thoughtful sources of information in our sector.

Our blog – *Ebiquity opinion* – is visited regularly by international marketers looking to keep up to date with issues and articles that affect their world.

We work with over 900 clients, including 85 of the top 100 advertisers in up to 70 markets worldwide, and our international business accounts for a significant portion of our total revenues.

## **Building on our international presence**

The Internet has changed the nature of marketing for many companies. It has created a global market, an increasingly homogenised consumer and paths to purchase that are frequently complex and difficult to influence. But it has also created enormous opportunity. With marketers looking to extend their sales into markets that only a few years ago would have seemed too difficult, we are now increasingly required to apply our skills across geographies.

It is for this reason that we strive to reinforce our international capabilities. Following our investment in the German market our business there has grown considerably and now represents over 13% of our total worldwide revenues. Our recent Italian acquisition also shows early promise.

The US market, which has for so long resisted the idea of media measurement and benchmarking, is now demonstrating strong results with 40% revenue growth from our US Media Practice - a trend that looks set to continue, as more marketers accept the importance of media transparency.

The acquisition of The Joined Up Media Company, the market leader in Russia for media measurement and benchmarking, on 27 May 2011, is a further indication of our commitment to strengthening our international business.

## **The year ahead**

The rapidly growing influence of social media is changing the way that our clients think about the overall media landscape, both in paid (advertising) and non-paid media (social, blogs, editorial). Our clients understand that the two do not work in isolation from each other and that the influence of one can either undermine or support the impact of the other. Only by evaluating the combination of the two will it be possible to determine the value and performance of total brand communication.

This was the rationale behind the acquisition of the Echo Research Group, which was completed on 20 May 2011; but it also speaks more broadly to our overall strategic direction of increasing our abilities and skills to enable us to provide our clients with actionable insights that will drive their business performance.

I would like to welcome Sandra Macleod, CEO of the Echo Research Group, and her team to the Ebiquity family, their contribution is already beginning to make its mark on our people and our clients.

## **Outlook**

Our role as an independent provider of insights, based on the clear analysis of available data, will continue to grow in importance.

The more complex the market, the greater the supply of data and the more crucial it will be for clients to make sense of it all.

This simple fact is the basis of our continuing confidence. Our combined skills in data processing, software development and analytics give us a unique opportunity to build a business in a market with growing demand.

**Michael Greenlees**  
**Chief Executive Officer**  
26 July 2011

## Financial Review

### Introduction

Ebiquity plc is publishing its final results for the year ended 30 April 2011. All results are stated before taking into account highlighted items unless otherwise stated. These highlighted items include share based expenses, amortisation of purchased intangible assets, acquisition costs, and restructuring and other non-recurring items.

### Segmental reporting presentation

Our two reporting segments are "Analytics" and "Platform". The Analytics division consists of our Media, Effectiveness (formerly "ROI") and Digital practices and our Platform division consists of our Advertising Intelligence, Reputation & PR and Media Technology practices.

### Integration of Xtreme Information Services Limited ("Xtreme") and Thomson Media Control GmbH & Co KG ("TMC")

The financial results for the year ended 30 April 2011 are materially impacted by the acquisitions of Xtreme and TMC, which were both acquired on 13 April 2010, shortly before the end of our last financial year. Both of these acquisitions are included in our Platform division.

The integration process, both in the UK and Germany, is complete ahead of schedule, and we have been able to recognise £1.8m of pre-tax cost synergies largely due to a reduction in headcount, which is comfortably ahead of original expectations due to earlier than planned integration. On an annualised basis, these cost synergies total £2.6m.

### Acquisitions in the financial year

On 1 May 2010, the Group took control of Billetts Germany GmbH ("Billetts Germany") by increasing its stake from 10% to 51% for additional consideration of €23,000.

On 28 May 2010, the Group acquired 51% of Media Advisor S.r.l ("Media Advisor", an Italian company) for a total potential consideration of €750,000 consisting of an initial cash payment of €200,000, followed by an earn out cash payment to a maximum of €550,000. The earn out was settled subsequent to the year end at €278,000.

The results of Billetts Germany (now rebranded as "Ebiquity Germany") and Media Advisor (now rebranded as "Ebiquity Italy") are consolidated into our Analytics division from 1 May and 28 May 2010 respectively.

### Revenue

	<b>Year ended 30 April 2011</b>	<b>Year ended 30 April 2010</b>
	<b>£'000</b>	<b>£'000</b>
Analytics	17,900	15,197
Platform	26,265	6,021
<b>Total revenue</b>	<b>44,165</b>	<b>21,218</b>

Total Group revenue increased by 108% to £44.2m (2010: £21.2m). On an organic basis, total Group revenue has increased by 5%.

The Analytics division now represents 41% of total Group revenue, reduced from the prior year (72%) since the acquisitions of Xtreme and TMC are included in the Platform division. Within Analytics, revenue from international assignments (defined as non-UK sourced revenue, or UK sourced revenue where marketing activity is analysed in more than one country) grew by 35% to £10.8m (2010: £8.0m) due largely to strong performances from our domestic businesses in America and Germany. 61% of the Analytics division is derived from international assignments (2010: 53%).

Following the acquisition of Xtreme and TMC, the Platform division now accounts for 59% of total Group revenue (2010: 28%). Within this division, international assignments now account for 78% of the revenue (2010: 17%).

The acquisitions have given us greater international presence, meaning that our total international revenue has increased from 38% of Group revenue in 2010 to 71% of Group revenue in 2011.

### Gross profit

	<b>Year ended 30 April 2011</b>	<b>Year ended 30 April 2010</b>
	<b>£'000</b>	<b>£'000</b>
Analytics	9,718	8,527
Platform	15,081	3,071
<b>Total gross profit</b>	<b>24,799</b>	<b>11,598</b>

Gross profit for the period was up 114% to £24.8m (2010: £11.6m), yielding an improved gross margin of 56% (2010: 55%).

The Analytics gross profit margin has reduced from 56% to 54% due to a lower margin in acquired businesses, and in particular in Germany where gross margins are still increasing year on year following the launch of the business in late 2008.

The Platform gross profit margin has increased from 51% to 57%, largely reflecting the impact of £550,000 of recognised cost synergies following the acquisitions of Xtreme and TMC.

### Result from operations

Operating profit before highlighted items is termed "underlying operating profit". Certain items have been highlighted because separate disclosure is considered relevant in understanding the underlying performance of the business.

	<b>Year ended 30 April 2011</b>	<b>Year ended 30 April 2010</b>
	<b>£'000</b>	<b>£'000</b>
Analytics	7,123	7,603
Platform	7,739	1,284
Central costs	(9,564)	(6,244)
<b>Underlying operating profit</b>	<b>5,298</b>	<b>2,643</b>

Underlying operating profit was £5.3m (2010: £2.6m), representing a 100% increase over the prior year.

The operating profit margin for the year of 12.0% is marginally down on the prior year as expected (2010: 12.5%) due to the lower margins of the acquired businesses, and with less than a full year benefit from the recognised cost synergies.

The Analytics division has seen an increase at the gross profit level of £1,191,000. However, an increase in administrative expenses of £1,671,000 has resulted in a fall in operating profit. The increase in administrative expenses includes the cost base of acquired businesses (£1,310,000) which currently generates lower margins, and also represents an investment in future growth, particularly in relation to our Digital offering.

The Platform division has seen an increase at the gross profit level of £12,010,000. Administrative expenses have increased by £5,555,000 reflecting the full year costs of the April 2010 acquired entities, offset by £400,000 of recognised cost synergies.

Central costs predominantly represent central salaries (Board, Finance, IT and HR), UK property costs, and central legal and advisory costs. Following the acquisitions, all of these functions are of an enlarged size, and our property and legal costs have increased proportionately. £850,000 of cost synergies has been recognised in Central costs in the period.

### Highlighted items

Highlighted items comprise significant non-cash charges and non-recurring items which are highlighted in the income statement because separate disclosure is considered relevant in understanding the underlying performance of the business.

In the current period, the non-recurring items relate almost entirely to the integration of Xtreme.

	Year ended 30 April 2011			Year ended 30 April 2010		
	Cash £'000	Non-cash £'000	Total £'000	Cash £'000	Non-cash £'000	Total £'000
<b>Administrative Expenses</b>						
<b>Recurring:</b>						
Share based expenses	-	1,038	<b>1,038</b>	-	308	<b>308</b>
Amortisation of purchased intangibles	-	1,549	<b>1,549</b>	-	412	<b>412</b>
	-	2,587	<b>2,587</b>	-	720	<b>720</b>
<b>Non-recurring:</b>						
Integration costs	1,550	-	<b>1,550</b>	212	-	<b>212</b>
Severance costs	1,405	-	<b>1,405</b>	1,132	-	<b>1,132</b>
Property costs	421	301	<b>722</b>	-	122	<b>122</b>
Acquisition costs	282	-	<b>282</b>	-	-	<b>-</b>
	3,658	301	<b>3,959</b>	1,344	122	<b>1,466</b>
<b>Total highlighted items – administrative expenses</b>	<b>3,658</b>	<b>2,888</b>	<b>6,546</b>	<b>1,344</b>	<b>842</b>	<b>2,186</b>
Acquisition finance costs	-	-	-	214	-	<b>214</b>
<b>Total highlighted items</b>	<b>3,658</b>	<b>2,888</b>	<b>6,546</b>	<b>1,558</b>	<b>842</b>	<b>2,400</b>

Amortisation of purchased intangibles relates to acquisitions made in the current and previous financial year of £1,130,000 and to acquisitions made prior to this of £419,000.

Integration costs relate to project management and advice (£543,000), post completion professional fees (£238,000), rebranding of the Xtreme and Billetts trade names (£93,000), client portal integration (£160,000), temporary staff used during the integration (£278,000) and other related costs (£238,000).

Severance costs relate to UK senior management and support function de-duplication (£917,000), redundancy costs associated with the merger of our data processing centres in the UK (£442,000), and redundancy costs associated with the reorganisation of our offices in France (£46,000).

Property costs represent the future onerous lease costs of vacating certain office space during the restructuring process, less anticipated sub-lease rental income (£301,000) and the cost of relocating offices (£421,000).

Under IFRS, professional fees and expenses in relation to acquisitions can no longer be capitalised. Acquisition costs represent professional fees incurred in relation to acquisitions (£339,000) and adjustments to the fair value of deferred consideration liabilities (credit of £57,000), in line with IFRS 3 'Business Combinations'.

As at 30 April 2011, £3,155,000 of the £3,658,000 cash highlighted items had been settled in cash.

### Result before tax

	Year ended 30 April 2011	Year ended 30 April 2010
	£'000s	£'000s
<b>Underlying operating profit</b>	<b>5,298</b>	<b>2,643</b>
Highlighted items	(6,546)	(2,186)
<b>Reporting operating result</b>	<b>(1,248)</b>	<b>457</b>
Net finance costs	(528)	(352)
Share of loss of associates	-	(5)
<b>Reported result before tax</b>	<b>(1,776)</b>	<b>100</b>
<b>Underlying profit before tax</b>	<b>4,770</b>	<b>2,500</b>

Net finance costs were £528,000 (2010: £352,000) which reflects the higher level of debt following the refinancing activity that took place at the time of the acquisitions of Xtreme and TMC in April 2010. The current year charge also includes the amortisation of loan arrangement fees that were capitalised at the time of the refinance (£105,000).

Share of loss of associates represented our share of the losses of Billetts Germany, a company in which we previously held a 10% stake. On 1 May 2010, this stake was increased to 51%, thus we now fully consolidate the result of the company.

Underlying profit before tax was up 91% to £4.8m (2010: £2.5m). Reported loss before tax is £1.8m (2010: £0.1m profit).

## Taxation

	Year ended 30 April 2011 £'000	Year ended 30 April 2010 £'000
Current tax charge	589	467
Deferred tax credit	(845)	(536)
<b>Total tax income</b>	<b>(256)</b>	<b>(69)</b>

The current tax charge relates purely to the tax on overseas entity profits. No corporation tax is payable in the UK for the current year, due to the high level of integration costs.

The deferred tax credit mainly arises on purchased intangible assets (£618,000) and share options (£234,000). In addition, there is an unrecognised deferred tax asset of £1,934,000 relating to UK losses.

## Equity

During the year, 4,200,000 new ordinary shares were issued into an Employee Benefit Trust in relation to a new Executive Director share option scheme, and a further 102,911 shares were issued upon the exercise of employee share options. These events have increased our share capital to 55,975,315 ordinary shares (2010: 51,672,404).

At the time of the acquisition of Xtreme in April 2010, convertible loan notes were issued that are convertible into 13,802,861 ordinary shares. These convertible loan notes have been included within equity as they demonstrate the characteristics of ordinary share capital. They are also included within the number of shares for the purposes of both the basic and diluted earnings per share calculations. None of the convertible loan notes have been converted into ordinary shares at this time.

Subsequent to the year end, 2,850,000 new ordinary shares were placed in the market in relation to the acquisition of the Echo Research Group.

Consistent with prior periods, the Board is not currently recommending the payment of a dividend.

## Earnings per share

Underlying diluted earnings per share was 6.02p (2010: 5.55p). This is an increase of 8% over the prior year, reflecting the positive impact of the acquisitions at the end of the previous financial year; partially offset by the impact of the geographical mix of our business with more profits coming, for example, from the US where tax rates are higher.

The Group reports a basic loss per share of 2.15p (2010: earnings of 0.50p) due to the high level of integration costs.

## Operating cash flow and net debt

	<b>As at 30 April 2011 £'000s</b>	<b>As at 30 April 2010 £'000s</b>
Underlying net cash from operating activities	<b>4,074</b>	<b>3,080</b>
Reported net cash from operating activities	<b>334</b>	<b>2,421</b>
Cash	3,158	5,243
Loans to associates	-	285
Debt*	(7,685)	(7,975)
<b>Net debt</b>	<b>(4,527)</b>	<b>(2,447)</b>

\* Debt within the Statement of Financial Position at 30 April 2011 is shown net of £321,000 (2010: £406,000) of loan arrangement fees which are amortised over the life of the facility. The number above is the gross debt number excluding these costs.

Excluding highlighted items, the underlying net cash inflow from operating activities is £4.1m (2010: £3.1m). On a reported basis this was £0.3m (2010: £2.4m), reflecting the costs of integrating the acquisitions.

Loans to associates reflected loans made to Billetts Germany. Now that Billetts Germany is consolidated into the Group results, this is no longer an amount receivable from outside of the Group.

During the year we have made scheduled loan repayments of £2.0m and drawn an additional £1.75m as planned to fund the integration costs of Xtreme and TMC.

The Group continues to trade comfortably within all of its banking facilities and covenants. At 30 April 2011, we had undrawn loan facilities of £2.25m.

### Events after the end of the reporting period

On 20 May 2011, the Group acquired the entire share capital of TCRG Holdings Limited (holding company of the Echo Research Group). The initial cash consideration was £3.5 million. Additional consideration is payable dependent on future performance during the period to April 2013 and can be paid in a combination of cash and shares. The maximum total consideration payable is £10 million. At the time of this acquisition, our banking facility was increased by £5.0m of which £1.8m was drawn immediately.

On 27 May 2011, the Group acquired a majority stake in The Joined Up Media Company Limited (a company incorporated in the United Kingdom) and a majority stake in The Joined Up Media Company OOO (a limited liability company incorporated in Russia). The initial cash consideration for both was £356,000. Additional consideration is payable dependent on future performance during the period to April 2014. The maximum total consideration payable is £1.2 million.

**Andrew Beach**  
**Chief Financial Officer**  
26 July 2011

## Consolidated Income Statement for the year ended 30 April 2011

	Year ended 30 April 2011			Year ended 30 April 2010			
	Note	Before highlighted items £'000	Highlighted items (note 2) £'000	Total £'000	Before highlighted items £'000	Highlighted items (note 2) £'000	Total £'000
Revenue		<b>44,165</b>	-	<b>44,165</b>	21,218	-	21,218
Cost of sales		<b>(19,366)</b>	-	<b>(19,366)</b>	(9,620)	-	(9,620)
<b>Gross profit</b>		<b>24,799</b>	-	<b>24,799</b>	11,598	-	11,598
<b>Administrative expenses</b>		<b>(19,501)</b>	<b>(6,546)</b>	<b>(26,047)</b>	(8,955)	(2,186)	(11,141)
<b>Operating profit/(loss)</b>		<b>5,298</b>	<b>(6,546)</b>	<b>(1,248)</b>	2,643	(2,186)	457
Finance income		<b>2</b>	-	<b>2</b>	14	-	14
Finance expenses		<b>(530)</b>	-	<b>(530)</b>	(152)	(214)	(366)
<b>Net finance costs</b>		<b>(528)</b>	-	<b>(528)</b>	(138)	(214)	(352)
Share of loss of associates		-	-	-	(5)	-	(5)
<b>Profit/(loss) before taxation</b>		<b>4,770</b>	<b>(6,546)</b>	<b>(1,776)</b>	2,500	(2,400)	100
Taxation (charge)/credit		<b>(1,440)</b>	<b>1,696</b>	<b>256</b>	(290)	359	69
<b>Profit/(loss) for the year</b>		<b>3,330</b>	<b>(4,850)</b>	<b>(1,520)</b>	2,210	(2,041)	169
<b>Attributable to:</b>							
Equity holders of the parent		<b>3,353</b>	<b>(4,786)</b>	<b>(1,433)</b>	2,210	(2,041)	169
Non-controlling interests		<b>(23)</b>	<b>(64)</b>	<b>(87)</b>	-	-	-
		<b>3,330</b>	<b>(4,850)</b>	<b>(1,520)</b>	2,210	(2,041)	169
<b>Earnings/(loss) per share</b>							
Basic	3			<b>(2.15)p</b>			0.50p
Diluted	3			<b>(2.15)p</b>			0.46p
Underlying basic <sup>1</sup>	3			<b>6.32p</b>			6.03p
Underlying diluted <sup>1</sup>	3			<b>6.02p</b>			5.55p

<sup>1</sup> Underlying basic and diluted earnings per share are calculated based on profit for the year adjusted for highlighted items and deferred tax (Note 2)

**Consolidated Statement of Comprehensive Income  
for the year ended 30 April 2011**

	<b>Year ended 30 April 2011 £'000</b>	Year ended 30 April 2010 £'000
<b>(Loss)/profit for the year</b>	<b>(1,520)</b>	169
<b>Other comprehensive income:</b>		
Exchange differences on translation of overseas subsidiaries	<b>112</b>	45
Movement in valuation of hedging instruments	<b>(14)</b>	-
<b>Total comprehensive (loss)/profit for the year</b>	<b>(1,422)</b>	214
<b>Attributable to:</b>		
Equity holders of the parent	<b>(1,335)</b>	214
Non-controlling interests	<b>(87)</b>	-
	<b>(1,422)</b>	214

## Consolidated Statement of Financial Position as at 30 April 2011

		30 April 2011 £'000	Restated 30 April 2010 £'000
	Note		
<b>Non-current assets</b>			
Goodwill	4	31,457	30,235
Other intangible assets	5	8,911	9,983
Property, plant & equipment		2,623	2,044
Investment in associates		-	12
Deferred tax asset		1,063	670
<b>Total non-current assets</b>		<b>44,054</b>	42,944
<b>Current assets</b>			
Loans and other financial assets		238	679
Trade & other receivables		14,446	11,279
Cash & cash equivalents		3,158	5,243
<b>Total current assets</b>		<b>17,842</b>	17,201
<b>Total assets</b>		<b>61,896</b>	60,145
<b>Current liabilities</b>			
Other financial liabilities		(3,742)	(2,077)
Trade & other payables		(6,330)	(4,922)
Current tax liabilities		(268)	(425)
Provisions		(1,007)	(650)
Accruals & deferred income		(12,736)	(11,815)
<b>Total current liabilities</b>		<b>(24,083)</b>	(19,889)
<b>Non-current liabilities</b>			
Other financial liabilities		(3,724)	(5,627)
Provisions		(867)	(855)
Deferred tax liability		(2,171)	(2,608)
<b>Total non-current liabilities</b>		<b>(6,762)</b>	(9,090)
<b>Total liabilities</b>		<b>(30,845)</b>	(28,979)
<b>Total net assets</b>		<b>31,051</b>	31,166
<b>Capital &amp; reserves</b>			
Share capital		13,994	12,918
Share premium		2,666	2,259
Convertible loan note reserve		9,445	9,445
Merger reserve		3,667	3,667
ESOP reserve		(1,590)	(120)
Hedging reserve		(14)	-
Translation reserve		40	(72)
Retained earnings		2,817	3,069
<b>Capital and reserves attributable to the equity holder of the parent</b>		<b>31,025</b>	31,166
Non-controlling interests		26	-
<b>Total equity</b>		<b>31,051</b>	31,166

**Consolidated Statement of Changes in Equity  
For the year ended 30 April 2011**

	Share capital £'000	Share premium £'000	Convertible loan note reserve £'000	Merger reserve £'000	ESOP reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000	Non- controlling interests £'000	Total equity £'000
<b>1 May 2009</b>	8,035	1,846	-	(4,504)	(120)	-	(117)	4,287	9,427	-	9,427
Adjustment to prior period	-	-	-	-	-	-	-	(1,767)	(1,767)	-	(1,767)
<b>1 May 2009 restated</b>	8,035	1,846	-	(4,504)	(120)	-	(117)	2,520	7,660	-	7,660
Total comprehensive income for the year	-	-	-	-	-	-	45	169	214	-	214
Shares issued for cash	344	433	-	-	-	-	-	-	777	-	777
Share issue costs	-	(20)	-	-	-	-	-	-	(20)	-	(20)
Acquisition of subsidiaries	4,539	-	9,662	8,171	-	-	-	-	22,372	-	22,372
Loan note issue costs	-	-	(217)	-	-	-	-	-	(217)	-	(217)
Share options charge	-	-	-	-	-	-	-	308	308	-	308
Deferred tax on share options	-	-	-	-	-	-	-	72	72	-	72
<b>30 April 2010</b>	12,918	2,259	9,445	3,667	(120)	-	(72)	3,069	31,166	-	31,166
Total comprehensive income for the year	-	-	-	-	-	(14)	112	(1,433)	(1,335)	(87)	(1,422)
Shares issued for cash	1,076	432	-	-	(1,470)	-	-	-	38	-	38
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	113	113
Share options charge	-	-	-	-	-	-	-	1,038	1,038	-	1,038
Reclassification	-	(25)	-	-	-	-	-	25	-	-	-
Deferred tax on share options	-	-	-	-	-	-	-	118	118	-	118
<b>30 April 2011</b>	<b>13,994</b>	<b>2,666</b>	<b>9,445</b>	<b>3,667</b>	<b>(1,590)</b>	<b>(14)</b>	<b>40</b>	<b>2,817</b>	<b>31,025</b>	<b>26</b>	<b>31,051</b>

## Consolidated Cash Flow Statement for the year ended 30 April 2011

	Note	Year ended 30 April 2011 £'000	Year ended 30 April 2010 £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation		(1,776)	100
Adjustments for:			
Depreciation		933	352
Amortisation	5	1,757	582
Capitalised development costs write off	5	-	49
Unrealised foreign exchange loss		21	194
Share option charges	2	1,038	308
Finance income		(2)	(14)
Finance expenses		530	366
Call/put options		51	(21)
Share of loss of associates		-	5
		<b>2,552</b>	1,921
Increase in trade & other receivables		(2,470)	(1,354)
Increase in trade & other payables		1,593	2,306
(Decrease)/increase in provisions		(245)	370
<b>Cash generated from operations</b>		<b>1,430</b>	3,243
Net finance expenses paid		(339)	(271)
Income taxes paid		(757)	(551)
<b>Net cash from operating activities</b>		<b>334</b>	2,421
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		(898)	(326)
Purchase of property, plant & equipment		(1,260)	(164)
Purchase of intangible assets	5	(77)	(135)
Repayment of loan to associates		-	66
Finance income		2	14
<b>Net cash used in investing activities</b>		<b>(2,233)</b>	(545)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital (net of issue costs)		38	750
Proceeds from long term borrowings		1,750	8,000
Repayment of bank loans		(1,982)	(5,884)
Bank loan fees paid		(26)	(406)
Bank securities released/(paid)		100	(100)
Loan note issue costs		-	(217)
Repayment of finance leases		(21)	-
<b>Net cash flow from financing activities</b>		<b>(141)</b>	2,143
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<b>(2,040)</b>	4,019
Effect of unrealised foreign exchange losses		(45)	(22)
<b>Cash, cash equivalents and bank overdraft at beginning of period</b>		<b>5,243</b>	1,246
<b>Cash, cash equivalents and bank overdraft at end of period</b>		<b>3,158</b>	5,243

# Notes to the Consolidated Financial Statements

## For the year ended 30 April 2011

### 1. Accounting policies

#### Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by European Union (Adopted IFRSs) and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under Adopted IFRSs.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through the Income Statement.

#### Significant Accounting Policies

The principal accounting policies adopted are set out below.

#### **Changes in accounting policies**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 May 2010.

IFRS 3 (revised), 'Business Combinations'. The revised standard made significant changes to the treatment of acquisition costs and deferred contingent consideration relating to an acquisition. The revised standard has been applied prospectively to business combinations for which the acquisition date was on or after 1 May 2010. As a consequence of the adoption of the standard, all acquisition related transaction costs are now recorded in the Income Statement as highlighted items. Contingent consideration relating to acquisitions is measured at fair value at the acquisition date with any subsequent revisions to these estimates being recorded in the Income Statement as highlighted items. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Acquisitions completed prior to 1 May 2010 continue to be accounted for under the previous version of IFRS 3, with subsequent adjustments to the fair value of deferred contingent consideration being taken to Goodwill.

IAS 27 (amendment), 'Consolidated and Separate Financial Statements'. This revised standard no longer restricts the allocation to non-controlling interests of losses incurred by a subsidiary to the amount of the non-controlling equity investment in the subsidiary. Any partial acquisition or disposal of equity interest in a subsidiary that does not result in a gain or loss of control will be accounted for as an equity transaction and will not impact goodwill or give rise to any gain or loss. When control is lost, any remaining interest is remeasured to fair value, and a gain or loss is recognised in the Income Statement. The revision does not require the restatement of previous transactions and has had no effect on the current financial year.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 May 2010, but have no impact on the Group:

- IFRS 2, 'Group cash-settled share-based payment transaction'
- IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations'
- IAS 1, 'Presentation of financial statements'
- IAS 38, 'Intangible Assets'
- IAS 39, 'Financial Instruments: Recognition and Measurement'
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'

## **Change in application of accounting policies**

As reported in our Chief Executive's statement, the balance of our Analytics business has changed in recent years and international contracts are becoming more significant. This has often brought an increased level of complexity which has prompted the Board to thoroughly review the Group's application of its existing accounting policies, particularly in relation to revenue recognition, to ensure that they are still appropriate.

In prior periods, revenue from media reviews has been recognised on a straight-line basis over the specified period of the media being analysed, unless there was evidence that some other method better represented the stage of completion of the contract.

Increasingly, however, activity is being performed outside of this media analysis period. In light of their review, the Board have reassessed the application of the revenue recognition policy and have decided that a more appropriate approach is to delay the recognition of the revenue earned so that it more precisely follows the allocation of the resources deployed. This has resulted in a marginal shift in the recognition period on certain renewable Analytics contracts, typically by up to three months. Whilst the adjustment has an insignificant impact on revenue, profits and earnings per share in the years ending 30 April 2010 and 30 April 2011 (no profit restatement being necessary in either year), it has resulted in a restatement of the opening Statement of Financial Position as at 1 May 2009 in accordance with IAS 8. Specifically, the prior year opening reserves and net assets as at 1 May 2009 and 30 April 2010 have been reduced by £1.8m, with a reduction in accrued income of £1.2m and an increase in deferred income of £0.6m.

## **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of each subsidiary are included from the date that control is transferred to the Group until the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the portion of the results and net assets in subsidiaries that is not held by the Group.

## **Business combinations**

Purchase method of accounting

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. All costs directly attributable to the business combination are recorded in the Income Statement.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Merger method of accounting

Under IFRS 1, the Group is not required to re-state acquisitions or business combinations prior to the date of transition. Therefore the Group is permitted to retain its historical merger accounting position in the consolidated accounts.

## **Investments in associates**

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment annually.

Where a group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Goodwill arising on other acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Income is recognised evenly over the period of the contract for media monitoring, news and vouching subscription, and in accordance with the stage of completion of the contract activity for consultancy income.

Where services are performed by an indeterminate number of acts over a specific period, revenue is recognised on a straight-line basis over the specific period unless there is evidence that some other method better represents the stage of completion.

If the outcome of a contract cannot be estimated reliably, the contract revenue is recognised to the extent of contract costs incurred that it is probable would be recoverable. Costs are recognised as an expense in the period in which they are incurred.

### **Finance income and expenses**

Finance income and expense represents interest receivable and payable. Finance income and expense is recognised on an accruals basis, based on the interest rate applicable to each bank or loan account.

### **Foreign currencies**

For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each year end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the year end date.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the year end date. Income and expense items are translated at the average exchange rate for the period, which approximates to the rate applicable at the dates of the transactions.

The exchange differences arising from the retranslation of the year end amounts of foreign subsidiaries and the difference on translation of the results of those subsidiaries into the presentational currency of the Group are recognised in the translation reserve. All other exchange differences are dealt with through the Income Statement.

### **Highlighted items**

Highlighted items comprise significant non-cash charges and non-recurring items which are highlighted in the Income Statement because separate disclosure is considered relevant in understanding the underlying performance of the business.

### **Taxation**

The tax expense included in the Income Statement comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the year end date.

Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Using the liability method, deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The carrying amount of deferred tax assets is reviewed at each year end date.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the year end date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives. The rates generally applicable are:

Motor vehicles	25% per annum reducing balance
Fixtures, fittings and equipment	25% per annum reducing balance
Computer equipment	25% per annum on cost
Short leasehold land and buildings improvements	Over the life of the lease
Plant and equipment	Straight line over 3-10 years

### **Other intangible assets**

Internally-generated intangible assets – development expenditure

An internally-generated intangible asset arising from the Group's development expenditure is recognised only if all of the following conditions are met:

- It is technically feasible to develop the asset so that it will be available for use or sale;
- Adequate resources are available to complete the development and to use or sell the asset;
- There is an intention to complete the asset for use or sale;
- The Group is able to use or sell the intangible asset;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Amortisation commences when the asset is available for use and useful lives range from 1-5 years. The amortisation expense is included within administrative expenses. Where an internally-generated intangible asset cannot be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Purchased intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives, which vary from 3 to 10 years. The amortisation expense is included as a highlighted item within the administrative expenses line in the Income Statement. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. The significant intangibles recognised by the Group are customer relationships and database content.

### **Impairment**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, estimates are made of the cash flows of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate appropriate to the specific asset or cash generating unit.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying value of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognised immediately in the Income Statement.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent

that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if the impairment loss had been recognised.

## **Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

### Financial assets

The Group classifies its financial assets as 'loans and receivables' and 'other financial assets'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income Statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

### Financial liabilities

The Group classifies its financial liabilities as 'Other financial liabilities'. These are initially recognised at fair value. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. "Interest expense" in this context includes initial transaction costs as well as any interest or coupon payable while the liability is outstanding.

Forward currency contracts and interest rate swaps are carried at fair value with changes in fair value being reflected in the Statement of Comprehensive Income, and are classified within other financial assets and liabilities as appropriate.

Convertible loan notes possess all the characteristics of an equity instrument and have therefore been classified as such.

## **Derivative financial instruments**

The Group uses derivative financial instruments to reduce its exposure to foreign exchange and interest rate movements. The Group does not hold or issue derivative financial instruments for financial trading purposes but derivatives that do not qualify for hedge accounting are accounted for at fair value through the Income Statement. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date with gains and losses on revaluation being recognised immediately in the Income Statement.

Cash flow hedges are used to hedge against fluctuations in future cash flows on the Group's debt funding due to movements in interest rates, and on certain foreign currency trade receivable balances. When a cash flow hedge is employed, the effective portion of the change in the fair value of the hedging instrument is recognised directly in equity (hedging reserve) until the gain or loss on the hedged item is realised. Any ineffective portion is always recognised in the Income Statement.

The fair value of derivatives is determined by reference to market values for similar instruments.

## **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and short term deposits. Bank overdrafts are an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

## **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the year end date, and are discounted to present value where the effect is material.

## **Employee Share Ownership Plan (ESOP)**

As the Company is deemed to have control of its ESOP trust, it is treated as a subsidiary and consolidated for the purposes of the Group accounts. The ESOP's assets (other than investments in the company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Company's shares is deducted from shareholders' equity in the Group statement of financial position as if they were treasury shares, except that profits on the sale of ESOP shares are not credited to the share premium account.

## **Share-based payments**

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity investments expected to vest at each year end date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. A charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

## **Retirement benefits**

Contributions to defined contribution pension schemes are charged to the Income Statement in the year to which they relate.

## **Leased assets**

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the Income Statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the Income Statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

## **Government grants**

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are deducted from the carrying value of the assets that they are intended to compensate and are credited to the Income Statement on a straight-line basis over the expected lives of the related assets.

## 2. Highlighted items

Highlighted items comprise significant non-cash charges and non-recurring items which are highlighted in the Income Statement because separate disclosure is considered relevant in understanding the underlying performance of the business.

	Year ended 30 April 2011			Year ended 30 April 2010		
	Cash	Non-cash	Total	Cash	Non-cash	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Administrative Expenses</b>						
<b>Recurring:</b>						
Share based expenses	-	1,038	<b>1,038</b>	-	308	308
Amortisation of purchased intangibles	-	1,549	<b>1,549</b>	-	412	412
	-	2,587	<b>2,587</b>	-	720	720
<b>Non-recurring:</b>						
Integration costs	1,550	-	<b>1,550</b>	212	-	212
Severance costs	1,405	-	<b>1,405</b>	1,132	-	1,132
Property costs	421	301	<b>722</b>	-	122	122
Acquisition costs	282	-	<b>282</b>	-	-	-
	3,658	301	<b>3,959</b>	1,344	122	1,466
<b>Total highlighted items – administrative expenses</b>	<b>3,658</b>	<b>2,888</b>	<b>6,546</b>	1,344	842	2,186
Acquisition finance costs	-	-	-	214	-	214
<b>Total highlighted items</b>	<b>3,658</b>	<b>2,888</b>	<b>6,546</b>	1,558	842	2,400

Amortisation of purchased intangibles relates to acquisitions made in the current and previous financial year of £1,130,000 and to acquisitions made prior to this of £419,000.

Integration costs relate to project management and advice (£543,000), post completion professional fees (£238,000), rebranding of the Xtreme and Billetts trade names (£93,000), client portal integration (£160,000), temporary staff used during the integration (£278,000) and other related costs (£238,000).

Severance costs relate to UK senior management and support function de-duplication (£917,000), redundancy costs associated with the merger of our data processing centres in the UK (£442,000), and redundancy costs associated with the reorganisation of our offices in France (£46,000).

Property costs represent the future onerous lease costs of vacating certain office space during the restructuring process, less anticipated sub-lease rental income (£301,000) and the cost of relocating offices (£421,000).

Acquisition costs represent professional fees incurred in relation to acquisitions (£339,000) and adjustments to the fair value of deferred consideration liabilities (credit of £57,000), in line with IFRS 3 'Business Combinations'.

As at 30 April 2011, £3,155,000 of the £3,658,000 had been settled in cash.

### 3. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>Year ended 30 April 2011</b>	Year ended 30 April 2010
	<b>£'000</b>	£'000
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	<b>(1,433)</b>	169
Adjustments:		
Deferred tax	<b>(845)</b>	(536)
Highlighted items – recurring <sup>1</sup>	<b>2,587</b>	720
Highlighted items – non-recurring <sup>1</sup>	<b>3,959</b>	1,466
Highlighted items – finance costs <sup>1</sup>	-	214
Highlighted items relating to non-controlling interests	<b>(64)</b>	-
	<hr/> <b>4,204</b>	<hr/> 2,033
Earnings for the purpose of underlying earnings per share		
	<hr/> <b>4,204</b>	<hr/> 2,033
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share <sup>2</sup>	<b>66,571,604</b>	33,692,309
Effect of dilutive potential ordinary shares:		
Share options	<b>3,266,449</b>	2,929,073
	<hr/> <b>3,266,449</b>	<hr/> 2,929,073
Weighted average number of ordinary shares for the purpose of diluted earnings per share <sup>2</sup>	<b>69,838,053</b>	36,621,382
	<hr/> <b>69,838,053</b>	<hr/> 36,621,382
Basic (loss)/earnings per share	<b>(2.15)p</b>	0.50p
Diluted (loss)/earnings per share <sup>3</sup>	<b>(2.15)p</b>	0.46p
Underlying basic earnings per share	<b>6.32p</b>	6.03p
Underlying diluted earnings per share	<b>6.02p</b>	5.55p

1. Highlighted items (see note 2).

2. The weighted average number of shares includes convertible loan notes that are convertible into 13,802,861 ordinary shares.

3. The statutory diluted earnings per share has not been diluted since the result for the year is a loss.

#### 4. Goodwill

	Note	£'000
<b>Cost and net book value</b>		
At 1 May 2009		8,754
Acquisitions		21,481
At 30 April 2010		30,235
Acquisitions	6	837
Adjustment to prior year acquisitions		268
Foreign exchange differences		117
<b>At 30 April 2011</b>		<b>31,457</b>

Adjustments to goodwill on prior year acquisitions represent changes to the fair value of assets and liabilities purchased. The adjustment relates entirely to the acquisition of Xtreme Information Services Limited.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using rates that reflect current market assessments of the time value of money and risk specific to the cash-generating units. The group prepares three-year cash flow forecasts, and these have been discounted at 15% (2010: 10%). No impairment of goodwill was recognised in 2011 (2010: £nil).

Goodwill has been allocated to the following CGUs:

	<b>Year ended 30 April 2011</b>	Year ended 30 April 2010
	£'000	£'000
Analytics	<b>9,378</b>	8,960
Platform	<b>22,079</b>	21,275
	<b>31,457</b>	30,235

## 5. Other intangible assets

	<b>Capitalised development costs</b>	<b>Purchased intangible assets</b>	<b>Total intangible assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Cost</i>			
At 1 May 2009	952	3,395	4,347
Additions	135	-	135
Acquisitions	-	7,707	7,707
Write off	(49)	-	(49)
Foreign exchange	-	(23)	(23)
At 30 April 2010	1,038	11,079	12,117
Additions	77	-	77
Acquisitions	-	513	513
Foreign exchange	-	122	122
<b>At 30 April 2011</b>	<b>1,115</b>	<b>11,714</b>	<b>12,829</b>
<i>Amortisation</i>			
At 1 May 2009	(176)	(1,376)	(1,552)
Charge for the year	(170)	(412)	(582)
At 30 April 2010	(346)	(1,788)	(2,134)
Charge for the year	(208)	(1,549)	(1,757)
Foreign exchange	-	(27)	(27)
<b>At 30 April 2011</b>	<b>(554)</b>	<b>(3,364)</b>	<b>(3,918)</b>
<i>Net book value</i>			
<b>At 30 April 2011</b>	<b>561</b>	<b>8,350</b>	<b>8,911</b>
At 30 April 2010	692	9,291	9,983

Amortisation is charged within highlighted administrative expenses so as to write off the cost of the purchased intangible assets over their estimated useful lives. Current estimates of the useful economic lives of intangible assets are as follows:

Customer relationships	3 – 10 years
Database content	3 years
Trade names	10 years

Following the rebranding of the Group's trade names to Ebiquity, the carrying value of the Billetts trade name has been fully amortised.

## 6. Acquisitions

### **BILLETTS GERMANY**

On 1 May 2010 the Group increased its stake in its associated undertaking, Billetts Germany GmbH, from 10% to 51% for total consideration of £33,000. The company is now consolidated as a subsidiary in these financial statements.

Billetts Germany contributed £2,035,000 to revenue and £159,000 to profit before tax for the period between the date of acquisition and the year end.

The carrying value and the fair value of the net assets at the date of acquisition were as follows:

	<b>Carrying value</b>	<b>Recognised on acquisition</b>
	<b>£'000</b>	<b>£'000</b>
Intangible assets	-	256
Property, plant and equipment	96	96
Trade and other receivables	465	465
Cash and cash equivalents	8	8
Trade and other payables	(397)	(397)
Other creditors and provisions	(318)	(318)
Deferred tax liability	-	(72)
<b>Net (liabilities)/assets acquired</b>	<b>(146)</b>	<b>38</b>
Non-controlling interest		(18)
Goodwill arising on acquisition		13
		<b>33</b>

The goodwill is attributable to the assembled workforce, which does not qualify for separate recognition.

Purchase consideration:

	<b>£'000</b>
Cash paid for 41% holding	20
Group's investment in associates	31
Loss on investment in associates	(18)
<b>Total purchase consideration</b>	<b>33</b>

Net cash out flow arising on acquisition:

	<b>£'000</b>
Purchase consideration settled in cash	20
Cash and cash equivalents in subsidiary acquired	(8)
<b>Net cash outflow on acquisition</b>	<b>12</b>

## **MEDIA ADVISOR**

On 28 May 2010 the Group acquired a 51% stake in Media Advisor S.r.l for total consideration of €564,000 (£479,000), including deferred consideration.

Media Advisor contributed £599,000 to revenue and £154,000 to profit before tax for the period between the date of acquisition and the year end.

The carrying value and the fair value of the net assets at the date of acquisition were as follows:

	<b>Carrying value</b>	<b>Recognised on acquisition</b>
	<b>£'000</b>	<b>£'000</b>
Intangible assets	-	257
Property, plant and equipment	38	38
Trade and other receivables	280	280
Cash and cash equivalents	23	23
Trade and other payables	(21)	(21)
Other creditors and provisions	(190)	(311)
Deferred tax liability	-	(72)
<b>Net assets acquired</b>	<b>130</b>	<b>194</b>
Non-controlling interest		(95)
Goodwill arising on acquisition		380
		<b>479</b>

The goodwill is attributable to the assembled workforce, which does not qualify for separate recognition.

Purchase consideration:

	<b>£'000</b>
Cash	170
Deferred consideration	309
<b>Total purchase consideration</b>	<b>479</b>

Deferred consideration payable is based on revenues generated by the company for the year ended 30 April 2011. Subsequent to the year end, £256,000 of deferred consideration has been paid, with no further amounts due.

Net cash out flow arising on acquisition:

	<b>£'000</b>
Purchase consideration settled in cash	170
Cash and cash equivalents in subsidiary acquired	(23)
<b>Net cash outflow on acquisition</b>	<b>147</b>

## **OTHER ACQUISITIONS**

On 1 November 2010, the Group's 100% owned subsidiary, Ebiquity Germany GmbH, acquired the trade and assets of Buro CP for initial cash consideration of €80,000 (£70,000). Additional cash consideration of €60,000 (£52,000) became due on 30 April 2011. Contingent deferred consideration is payable and has been recognised at €370,000 (£322,000). The acquisition resulted in goodwill of £444,000. The maximum total consideration is €800,000.

If all of the above acquisitions had been completed on 1 May 2010, Group revenue would have been £44,283,000 and Group operating profit before highlighted items would have been £5,306,000, before any potential synergistic benefits are taken into account.

## **7. Financial Information**

The financial information set out in this announcement does not constitute the company's statutory accounts for the years ended 30 April 2011 or 30 April 2010.

Statutory accounts for the years ended 30 April 2011 and 30 April 2010 have been reported on by the Independent Auditors.

Their reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The statutory accounts for the year ended 30 April 2011 will be delivered to the Registrar of Companies following the company's annual general meeting. Statutory accounts for the year ended 30 April 2010 have been delivered to the Registrar of Companies.